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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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COMPANY INTERVIEW

DAVID W. MENARD
Moro Corporation

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Questioning Market Leaders For Long Term Investors

Moro Corporation (MRCR)



DAVID W. MENARD has served as President and CEO and has been majority stockholder of Moro Corporation since he founded the company in 2000. He is also Founder, President, CEO, and principal stockholder of Colmen Menard Company, a private investment banking firm, founded in 1982, that provides merger and acquisition, corporate finance and business advisory services to an international clientele. Earlier in his career he was employed, chronologically, in a variety of primarily accounting, financial and general management positions with Price Waterhouse, W.R. Grace & Co., and IU International Corporation. He holds a BS in Economics from Cornell University and an MBA in Accounting and Finance from the Johnson Graduate School of Management at Cornell University. Over the years, he has been a Director of numerous corporations and active in a number of civic and social organizations.

TWST: We'd like to begin with a brief historical sketch of Moro Corporation and a picture of the things you are doing at the present time.

Mr. Menard: Moro Corporation is involved in construction materials and construction contracting. The construction materials segment consists of the fabricating and distribution of concrete reinforcing steel, also known as rebar. We are located in South River, New Jersey; Rahway, New Jersey; Hammonton, New Jersey; and New Bedford, Massachusetts. Our trading area is from Boston, to Baltimore, to central Pennsylvania. That business accounts for about 45% of our sales. Our other segment is mechanical contracting, where we do heating, ventilating and air conditioning — also known as HVAC — and plumbing and piping.

We have two contracting businesses. One business focuses on industrial, commercial and institutional projects, such as hospitals, pharmaceutical companies and schools, and we have a residential business in Schenectady, New York, that is a Lennox dealer for heating and air conditioning systems. We install primarily in residential markets in the Upper Hudson Valley and in the Greater Saratoga, Albany, and Schenectady area.

TWST: Is there any other company that you know that is structured in the same way with that combination of business units?

Mr. Menard: I am not aware that there is, but it is a very big world out there, and there may very well be. There are a lot of common denominators between our four companies. For example, all of our companies have a major steel fabricating component. There is a lot of ductwork in heating, ventilating, and air conditioning. Most of our construction materials also consist of steel products. All of our companies are located in

small towns. All of our companies are extremely well managed and compete on a very local regional basis, where we have very high market share.

TWST: How many people do you have in Schenectady?

Mr. Menard: We have approximately 125 people in Schenectady.

TWST: Are things improving in that area?

Mr. Menard: Probably not. The economy in Schenectady has not been particularly good but the economy around greater Albany and the Hudson Valley is quite strong and future economic prospects are bright. In March 2006, we purchased a company in Schenectady called Appolo Heating. When it was formed about 40 years ago, the legal secretary misspelled the company's name, and it has been that name ever since. The company primarily does new construction. The company has not been affected by the recent real estate bubble. It is the major company in that particular geographic market, and it's a marvelous company.

TWST: You went into your business when things weren't looking that good for steel.

Mr. Menard: Moro Corporation was created in 2000 when I purchased a public shell out of bankruptcy called Food Court Entertainment Network. At that time, we had about 1,200 shareholders. I changed the name to Moro Corporation, which is the street I live on in Villanova, Pennsylvania, which is a suburb of Philadelphia, Pennsylvania. I did not do a reverse merger, which is what most public shells are used for. Some investors and I put money into the company and initiated an acquisition program.

The reason we went into steel in 2000 is that steel at that time was not particularly popular, and I am a real contrarian investor. We acquired a company called J.M. Ahle and a couple of years later, we ac-

quired a company in New Bedford, Massachusetts, with a great name, Whaling City Iron. They are great companies with great earnings. It was an industry that wasn't particularly popular back then. Today, infrastructure and buildings and so forth are very much in demand. Our companies are very, very good companies.

TWST: What are the main things on your strategic agenda as you look out over the next two to three years?

Mr. Menard: The main thing on our strategic agenda is to grow our company. This year, our sales will be in the upper \$50 million range, versus zero when I bought the public shell in 2000. Our next target is to get ourselves up to at least \$100 million within a couple of years, focusing on regional construction materials and contracting businesses located in small towns with high market share and relatively high earnings. That's our major focus — building this up to \$100 million and later to a substantially larger company.

TWST: Are acquisitions part of your agenda?

Mr. Menard: Acquisitions are a major part of our agenda.

TWST: What do you look for?

Mr. Menard: We have some odd criteria. First of all, we look for companies that don't have curbs in front of the buildings and that's probably on nobody's agenda. But the reason for that is that this type of real estate is a cheaper component of the economics of a business, whether we lease the real estate or buy the real estate. We don't like to have huge amounts of money tied up and spent on real estate, which also translates to higher fixed costs and lower breakeven points. We like companies where most of the assets are represented by receivables and inventory, which also translates to lower breakeven points.

We prefer companies that don't have very many college graduates and, with all but one of our companies, the Presidents are non-college graduates. We like people who are very, very hardworking and very street focused. If a person is competent to run a company as President and doesn't have a fancy Ivy League college education, that frequently translates into a super person.

TWST: Would you elaborate on that?

Mr. Menard: Another one of our criteria that we don't particularly like are people who have MBAs, although I must admit I have an MBA from the Johnson School of Business at Cornell University. I also went to the Harvard Advanced Management Program and I am a CPA by training and have those kinds of whistles and bells on my resume. But I don't particularly look for those whistles and bells — I look for people who are very hard working and street focused.

One of the things that companies with MBAs tend to forget is that there are some minor things in business that are important, such as vendors, customers, and employees. We are very employee oriented and very customer friendly, and we believe that our four business units have better employee and customer relationships than most of our competitors do in our particular marketplace.

We are a very user-friendly company. All of our employees have healthcare coverage. All of our employees have profit sharing. We have checked with a number of trade associations, and our sales per employee is quite high in our steel distribution companies. In general, our annual sales per employee is in the \$600,000 or \$700,000 range per employee and that includes drivers and office workers, which is very, very high in the steel fabrication and distribution industry. We pay very well. We have lots and lots of spirit in our company, and that translates into customers wanting to buy from us.

TWST: Had you developed this approach before?

Mr. Menard: I have effectively been self employed since 1983. I previously worked for some large corporations. My first job out of college was working for Price Waterhouse, and then back in the 1960s, I worked in the acquisition and financial end of W. R. Grace. Later I was a financial officer for a large conglomerate that doesn't exist anymore, IU International.

Some of the things that big corporations tend to talk about in most of their Board meetings are lawsuits, acquisitions, and financing, and occasionally the word employee or customer comes up. Moro is very customer oriented. We are a no frills company. We don't have a lot of vision. We don't believe in any of the latest fads. Consequently, we are a very profitable company. I think it is one of the reasons that *The Wall Street Transcript* approached us last year and this year about an interview.

This year, for the nine months through September, we earned an annualized return on equity of 40% after taxes. Last year, we did 43% and in 2004, we did 48%. We are hoping we can continue to report way above average returns on investment for a few more years, although it is going to be difficult to continue these extremely high returns. I don't think there is any number in business that speaks louder than the return on investment. Moro is well capitalized. We have equity representing more than 50% of capitalization. We are not highly leveraged. We are, in my opinion, a frugal, well-run company.

TWST: Part of what you did was to de-list so as to avoid the burdens of Sarbanes-Oxley. Would you explain that?

Mr. Menard: Sarbanes-Oxley was going to be costly and I decided to de-list so that I could lay low for a few years. Presumably at some point, we will re-list. We have certified financial statements. We have an Audit Committee. Our quarterly and annual financial statements are available to any stockholder at any time. We de-listed because the cash cost of having accountants getting involved was high. Secondly, I have a cultural problem — I didn't want my employees to spend enormous amounts of time auditing and working with accountants.

I try to empower my companies to make decisions. We are not bureaucratic. We don't have written reports. We don't have budgets. I didn't want to send a message to my people that I wanted to turn my managers into bookkeepers and accountants, because that is very, very time consuming. That would have hurt sales and customer relations. So that's another reason that I opted out of Sarbanes-Oxley. Also, since we had less than 500 shareholders of record, even though we had substantially more than that when we consider all of the beneficial security holders, it made sense for me to lay low for a while.

TWST: For the potential investor, what are the milestones you might be passing in the next few years that he should look for?

Mr. Menard: First, we have to get to \$75 million — I am sure we will probably do so next year. Then we will go to \$100 million and we'll get larger from there. We are going to build the company into a substantially larger company; it is my personal mission. I own about 74% of the stock and I am going to try to avoid all the mistakes that I have seen with my past clients and past employers. Some of the milestones will include creating greater geographical focus. At some point in time, we will do some sort of an event that will make the stock more liquid.

Right now, there are 6.3 million Moro shares currently trading at about \$2 a share. There are 800,000 freely tradable shares. There are not very many people who want to sell their shares. If a hedge fund or an investor wants to buy 100,000, 200,000 or 300,000 shares right now,

they can't do that, and that's a reason that we sell it at about 6 times after-tax earnings — we have a very low multiple. Eventually, maybe we'll merge with another public company or have a secondary or some kind of an offering — we'll get more shares to the public. I don't have an investor relations program other than trying to produce earnings. Eventually, there will be greater liquidity and we will be a bigger player.

TWST: What occupies your attention personally most day by day?

Mr. Menard: The main thing that I focus on is looking for additional investment opportunities. I spend probably half of my time looking at acquisitions and one by one turning them down. Occasionally we find something we want to buy. We are very fussy for a relatively small company. I also spend some time with our operating companies and work with them on some of the bigger contracts. For example, in our Rado Enterprises unit, which is in central Pennsylvania, we recently received some major contracts. In early November 2006 we received a \$3 million steel duct contract for GlaxoSmithKline that we have to get done by mid-January 2007.

Within the last month, we were hired for a \$16 million heating and plumbing job for Penn Gaming, to install HVAC and plumbing systems for a new racetrack and slots parlor that they are building in Grantville, Pennsylvania. We recently received a \$10 million job for a Marriott Hotel combined with a new Lancaster, Pennsylvania Convention center, a job we are going to start early in 2007. In 2007 we will start on an \$11 million job for East Stroudsburg Junior High School. One major HVAC job that we are almost done with is for Sanofi Aventis for an HVAC system for a flu vaccine plant located in Swiftwater, Pennsylvania.

So I spend some of my time working with our companies and trying to negotiate and obtain some of these contracts. For a relatively small company, we have a very interesting bunch of work. Our steel companies in New Jersey and in Massachusetts have recently received some major jobs for highways, condominiums and high rises. Both of our principal business units have historically high backlogs. So the prospects for the next couple of years for our company seem to be excellent. In the steel business in New Jersey and in New York City, there is big-time demand for condominiums. We expect to substantially increase our business in New York City.

TWST: What about challenges or things to worry about?

Mr. Menard: One of the biggest things that we worry about is competitors getting hungry or not focusing on the profit motive and lowering their prices to less than what we think is a prudent thing for them to do. We believe that we are a low-cost producer in each of our markets, but sometimes there is some irrational pricing.

TWST: What can you do in those circumstances?

Mr. Menard: Sometimes it's hard to compete in those circumstances. So we try to emphasize to our customers the significance of the high quality and service that we have, and we have been fairly successful in that area.

TWST: Would you tell us about some of the people who you have working for the company?

Mr. Menard: Moro Corporation has two employees and a secretary. Each one of our companies has a President and a Controller and handles all of their cash, bidding, and accounting. They are very au-

tonomous — they have their own banking lines. Moro Corporation is a small holding company with no frills.

We have a part-time CFO who prepares our consolidated financial statements. I am the President and CEO and am the biggest shareholder. I have been doing acquisitions and investments for roughly 40 years of my life. My colleague, Larry Corr, and I have been together for 19 years and he spends most of his time looking for acquisitions plus overseeing our companies. We don't have fancy plans or a fancy vision. As I previously said, we try to avoid the latest fads.

TWST: What would be the two or three best reasons for the long-term investor to look closely at Moro Corporation?

Mr. Menard: Number one, we have a very high return on investment. Our 40% after-tax return on equity will probably be hard to sustain, but we have done it for three years, and that shows probably more than anything else that we seem to know what we are doing, or maybe that we are just lucky.

TWST: Do you think your business model is exportable in that other companies could profit by doing the same things?

Mr. Menard: I hate to compare myself with Warren Buffett because he's not very comparable, but I think he runs his company just like we are running little Moro. He trusts his CEOs, doesn't burden them with all kinds of paperwork, and empowers them to run their businesses.

TWST: Is there anything you would like to add, especially regarding your strategies and your long-term objectives?

Mr. Menard: In the last couple of years, the building materials industry has been influenced heavily by the demand for building materials from China, but that seems to have ebbed somewhat. We don't care as much about it as we used to. We think that China has become more self-sufficient. Part of the Moro model is being installation and regionally oriented. We are not competing against China or India, or someone from California.

Also, steel prices have been somewhat volatile in the last couple of years. Katrina had an impact on steel prices for a while, and then China did. The prognosis from my talking to our steel people is that there is going to be much lessened volatility in the steel business and in pricing in the next 18 months.

TWST: Thank you.

DAVID W. MENARD

President & CEO

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Corporate Profile

Moro Corporation

Ticker (exchange)

MRCR (OTC)

Price close 11/29/06

\$2.00

12 Months Price Range

\$1.15 - \$2.40

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Investor Relations Contact

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Corporate Officers

David W. Menard
Chairman, President & CEO

Lawrence J. Corr
Vice President and CFO

Mechanical contracting – HVAC, plumbing, piping

Fabrication – sheet metal, piping

www.radoenterprises.com

WHALING CITY IRON CO.

New Bedford, MA

Fabrication – Structural/reinforcing steel (rebar)

Distribution – miscellaneous steel

www.whalingcityiron.com

Corporate Business Description

Moro Corporation's business is presently divided into two segments – construction materials and contracting services.

Moro's products/services are used on commercial/industrial/governmental/institutional projects; highways/bridges; residential buildings; and other structures.

Moro is an acquisition-oriented company focusing on acquiring and expanding easy-to-understand non-complicated manufacturing, distribution and service businesses serving niche markets.

By using old fashioned common sense, employing a high energy workforce, providing outstanding products and services, having tight controls in all parts of the business, avoiding the latest management fads, and maintaining a frugal and no frills management style and costs structure, Moro seeks to achieve high returns on capital employed.

Moro's culture revolves around "value investing" and having sound and healthy relationships with customers, suppliers and employees.

Moro tries to be a "nice" company with whom to be associated.

Moro's majority shareholder is David W. Menard, a successful businessman and investor. He is also founder and President of Colmen Menard Company, an investment banking firm focusing on providing merger and acquisition, corporate finance and business advisory services to clients and affiliates.

OPERATING UNITS

APOLLO HEATING INC.

Schenectady, NY – Hopewell Junction, NY

Mechanical contracting – HVAC

Distribution – HVAC Products

Fabrication – sheet metal

www.appoloheating.com

J.M. AHLE CO., INC.

South River, NJ – Hammonton, NJ – Rahway, NJ

Fabrication – reinforcing steel (rebar)

Distribution – construction accessories

www.jmahle.com

RADO ENTERPRISES, INC.

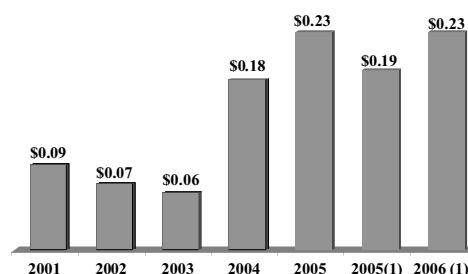
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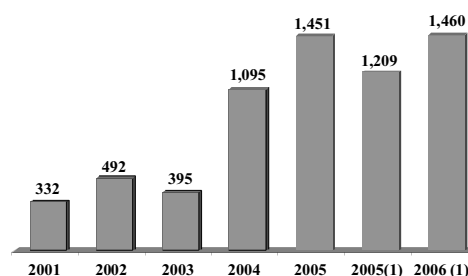
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(\$000's Omitted not including EPS)

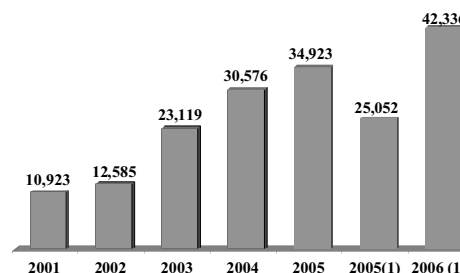
EPS



Net Income



Revenues



(1) 9 months ended 9/30